

**CITY OF EAST GRAND RAPIDS,  
MICHIGAN**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**June 30, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

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DEPT. OF TREASURY

NOV 17 2004

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of East Grand Rapids</b>		LOCAL AUDIT	County <b>Kent</b> FINANCE DIV.
Audit Date <b>6/30/04</b>	Opinion Date <b>9/15/04</b>	Date Accountant Report Submitted to State: <b>11/16/04</b>			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

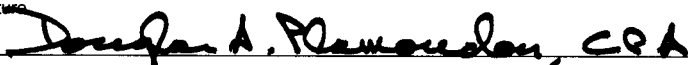
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Hoffman, Steensma &amp; Plamondon, P.L.C.</b>			
Street Address <b>221 West Webster Avenue, Suite 502</b>		City <b>Muskegon</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49440</b>	Date

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

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# CITY OF EAST GRAND RAPIDS, MICHIGAN

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# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Listing of Principal Officials**

**June 30, 2004**

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### **Elected Officials**

**Mayor**

**Cindy Bartman**

**Commissioners**

**John Barbour**

**Patrick Mulhall**

**Bob Horn**

**Donald Lawless**

**Jack Shimko**

**John Baxter**

### **Appointed Officials**

**City Manager**

**Brian D. Donovan**

**Public Safety**

**Peter J. Gallagher**

**City Services**

**Ken Feldt**

**City Assessor**

**Vicki Mesik**

**City Attorney**

**John M. Huff**

**Recreation Director**

**Francis Bunn**

**Finance Director**

**Laura VanderWall**

**City Clerk**

**Karen Brower**

**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Members of the  
City Commission of the City of East Grand Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of East Grand Rapids, Michigan (the "city"), as of and for the year ended June 30, 2004, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of East Grand Rapids, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of East Grand Rapids, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplementary information on pages 6-12 and pages 44 - 53 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of East Grand Rapids, Michigan's basic financial statements. The accompanying supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Hoffman, Steensma & Plamondon, P.L.C.*

September 15, 2004

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Management's Discussion and Analysis**

**Year Ended June 30, 2004**

Our discussion and analysis of the City of East Grand Rapids' financial performance provides an overview of the city's financial activities for the year ended June 30, 2004. Please read it in conjunction with the city's financial statements which begin on page 13.

### **Financial Highlights**

- The city's net assets increased \$969,315 (or 4.2%). The governmental net assets increased by \$845,293 (or 5.6%) and the business-type net assets increased by \$124,022 (or 1.6%).
- Total expenses of all of the city's programs were \$11,240,626, a decrease of \$155,899 (or 1.4%). The governmental expenses increased by \$20,274 (or .2%) and the business-type expenses decreased by \$176,173 (or 7.0%).
- Total revenues, including all program and general revenues were \$12,209,941, a decrease of \$580,753 (or 4.5%). The governmental revenues increased by \$216,421 (or 2.3%) and the business-type revenues decreased by \$797,174 (or 24.4%).
- The city received a grant in the amount of \$200,000 from the Wege Foundation for the completion of a green roof project behind City Hall.
- The city received a donation of \$300,000 from an anonymous donor towards the completion of a bike trail around Reeds Lake.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the government, reporting individual city operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services were financed in the short-term as well as what remains available for future spending.
- Proprietary fund statements offer short- and long-term financial information about activities the city operates like private businesses.
- Fiduciary fund statements provide information about the financial relationships in which the city acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

### **Reporting the City as a Whole**

Our analysis of the city as a whole begins on page 8. One of the most important questions asked about the city's finances is, "Is the city as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the city as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Management's Discussion and Analysis - Continued**

**Year Ended June 30, 2004**

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### **Reporting the City as a Whole (continued)**

The two statements mentioned above, report the city's net assets and changes in them. The reader can think of the city's net assets - the difference between assets and liabilities - as one way to measure the city's financial health or financial position. Over time, increases or decreases in the city's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the city's property tax base and the condition of the city's capital assets (roads, buildings, water and sewer lines) to assess the overall health of the city.

In the statement of net assets and the statement of activities, the city is divided into two kinds of activities:

- **Governmental activities** - Most of the city's basic services are reported here, including public safety, general administration, parks and recreation and streets. Property taxes and state shared revenues finance most of these activities.
- **Business-type activities** - The city charges a fee to customers to help it cover all or most of the cost of certain services provided. The city's water and sewer system is reported here.

### **Reporting the City's Most Significant Funds**

Our analysis of the city's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds - not the city as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Commission has established several other funds to help it control and manage money for particular purposes. The city has the following kinds of funds:

- **Governmental funds** - Most of the city's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the city's general government operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental funds in a reconciliation following the fund financial statements.
- **Proprietary funds** - When the city charges customers for the services it provides whether to outside customers or to other units of the city, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the city's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds, such as the city's Equipment Revolving Fund and the Health Care Fund (the other component of proprietary funds) to report activities that provide supplies and services to the city's other programs and activities.



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Management's Discussion and Analysis - Continued

Year Ended June 30, 2004

### Reporting the City's Most Significant Funds (continued)

- **Fiduciary funds** - The city is the trustee, or fiduciary, for certain funds. The city is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the city's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the city's government-wide financial statements because the city cannot use these assets to finance its operations.

### The City as a Whole

The city's combined net assets changed from a year ago, increasing from \$22,974,776 to \$23,944,091. Our analysis focuses on the net assets and changes in net assets of the city's governmental and business-type activities.

Net Assets (in thousands) as of June 30, follows:

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 5,827	\$ 5,288	\$ 2,195	\$ 1,985	\$ 8,022	\$ 7,273
Capital assets	12,708	12,585	7,339	7,371	20,047	19,956
<b>Total assets</b>	<b>\$ 18,535</b>	<b>\$ 17,873</b>	<b>\$ 9,534</b>	<b>\$ 9,356</b>	<b>\$ 28,069</b>	<b>\$ 27,229</b>
Long-term debt outstanding	\$ 1,719	\$ 1,773	\$ 1,059	\$ 1,056	\$ 2,778	\$ 2,829
Other liabilities	950	1,079	397	346	1,347	1,425
<b>Total liabilities</b>	<b>\$ 2,669</b>	<b>\$ 2,852</b>	<b>\$ 1,456</b>	<b>\$ 1,402</b>	<b>\$ 4,125</b>	<b>\$ 4,254</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	\$ 11,012	\$ 11,152	\$ 7,340	\$ 7,371	\$ 18,352	\$ 18,523
Restricted	1,938	928	-	-	1,938	928
Unrestricted	2,916	2,941	738	583	3,654	3,524
<b>Total net assets</b>	<b>\$ 15,866</b>	<b>\$ 15,021</b>	<b>\$ 8,078</b>	<b>\$ 7,954</b>	<b>\$ 23,944</b>	<b>\$ 22,975</b>

Net assets of the city's governmental activities increased by 5.6 percent (\$15,866,050 compared to \$15,020,757). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased \$25,451. Restricted net assets, those restricted mainly for capital projects and special purposes such as street cleaning or maintenance increased by \$1,009,798. The investment in capital assets, net of debt category decreased by \$139,054.

The net assets of our business-type activities increased by 1.5 percent (\$8,078,041 compared to \$7,954,019).

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Management's Discussion and Analysis - Continued

Year Ended June 30, 2004

### The City as a Whole (continued)

Changes in net assets (in thousands) as of June 30, follows:

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,094	\$ 1,017	\$ 2,460	\$ 2,747	\$ 3,554	\$ 3,764
Operating grants and contributions	745	745	-	-	745	745
Capital grants and contributions	614	404	-	507	614	911
General revenues						
Property taxes	5,997	5,901	-	-	5,997	5,901
State shared revenues	992	1,087	-	-	992	1,087
Cable television	105	97	-	-	105	97
Interest	118	99	6	10	124	109
Miscellaneous	78	177	-	-	78	177
<b>Total revenues</b>	<b>9,743</b>	<b>9,527</b>	<b>2,466</b>	<b>3,264</b>	<b>12,209</b>	<b>12,791</b>
<b>Expenses</b>						
Governmental activities						
General governmental	1,865	1,936	-	-	1,865	1,936
Public safety	3,487	3,433	-	-	3,487	3,433
Public works	1,915	1,941	-	-	1,915	1,941
Recreation and culture	1,332	1,187	-	-	1,332	1,187
Other functions	299	381	-	-	299	381
Business-type activities						
Water and sewer	-	-	2,342	2,518	2,342	2,518
<b>Total expenses</b>	<b>8,898</b>	<b>8,878</b>	<b>2,342</b>	<b>2,518</b>	<b>11,240</b>	<b>11,396</b>
<b>Income before extraordinary item</b>	<b>845</b>	<b>649</b>	<b>124</b>	<b>746</b>	<b>969</b>	<b>1,395</b>
<b>Extraordinary item</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>-</b>	<b>109</b>
<b>Change in net assets</b>	<b>845</b>	<b>649</b>	<b>124</b>	<b>855</b>	<b>969</b>	<b>1,504</b>
<b>Net assets at beginning of year</b>	<b>15,021</b>	<b>14,372</b>	<b>7,954</b>	<b>7,099</b>	<b>22,975</b>	<b>21,471</b>
<b>Net assets at end of year</b>	<b>\$ 15,866</b>	<b>\$ 15,021</b>	<b>\$ 8,078</b>	<b>\$ 7,954</b>	<b>\$ 23,944</b>	<b>\$ 22,975</b>

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Management's Discussion and Analysis - Continued**

**Year Ended June 30, 2004**

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### **The City as a Whole (continued)**

#### **Governmental Activities**

Revenues for the city's governmental activities increased \$216,421 while expenses increased \$20,274. The city received a grant of \$200,000 from the Wege Foundation for the green roof project and a donation for \$300,000 from an anonymous donor for the Bike Trail around Reeds Lake.

Property taxes increased \$95,383 despite of the Headlee limit. The city was required to rollback the operating millage rate from 14.5310 levied in 2002 to 14.2668 levied in 2003. State shared revenues decreased by \$94,401 due to the current economic environment and budget shortfalls at the State.

Increases in expenses were in recreation and culture due to the first full year of operations at Wealthy Pool and operational cost increases at both Wealthy Pool and the Community Pool.

#### **Business-Type Activities**

Revenues for the business-type activities decreased by \$797,174. The decreases are due to a grant for \$506,552 last year and decreases in charges for services due to a cool wet summer compared to a hot dry summer the previous year.

Expenses decreased in the business-type activities by \$176,173 which is due to decreased wholesale water and sewer charges from the City of Grand Rapids due to the cool and wet summer. As mentioned above, corresponding water revenues also decreased.

### **Financial Analysis of the City's Funds**

At the end of fiscal year 2004, the governmental funds reported a combined fund balance of \$3,644,644 which is \$538,664 more than last year. The General Fund fund balance actually decreased by \$185,255 which was mostly in the designated for the municipal complex remodeling which decreased by \$200,000. These funds were used for emergency repairs to the municipal complex like the boiler and lift station and towards the green roof project. The undesignated portion of the General Fund fund balance actually increased by \$43,945. The Major Street Fund fund balance increased by \$453,722 which is due to several large projects scheduled in the next year including Lake Drive and Wealthy Streetscape. The Local Street Fund fund balance increased \$286,950 which includes funds for the Reeds Lake Bike Trail project completed in the summer of 2004.

#### **General Fund Budgetary Highlights**

Over the course of the year, the City Commission amended the city budget several times. The most significant of these budget amendments were \$324,058 for the green roof project, \$119,116 for joint facilities pool operating costs and \$67,700 for health care costs.

Even with these budget amendments, actual expenditures were \$443,779 below final budget amounts. There were no significant variances from budget to actual as most of the savings were spread across all departments, as the city manager had requested all city staff to be conservative in their spending due to current economic conditions.

Revenues were \$194,561 more than the amended budget. The city received a grant from the Wege Foundation in the amount of \$200,000 for the green roof project that was not included in the budget.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Management's Discussion and Analysis - Continued**

**Year Ended June 30, 2004**

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### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2004, the city had \$20,047,582 invested in a broad range of capital assets including land, buildings, public safety equipment, roads, parks and water and sewer lines. This amount includes a net increase (including additions and deductions) of \$90,983 or .4% over last year. Additional information on capital assets can be found in note C on page 35 of the notes to the financial statements.

#### **Long-Term Debt**

At June 30, 2004, the city had \$2,769,032 in long-term debt outstanding. This is a decrease of \$50,894 from last year. Outstanding debt includes \$1,710,000 for Wealthy Pool Unlimited Tax General Obligation Bonds and \$1,059,032 in Drain Bonds for business-type activities. Additional information on long-term debt can be found in note E on page 37 of the notes to the financial statements.

The State of Michigan has statutory and constitutional debt provisions that allow for debt limits of 10 percent of the city's assessed value. This means that the city could have debt outstanding of \$56.5 million. The city is well below statutory and constitutional debt limits with outstanding debt of \$2,769,032.

#### **Economic Factors and Next Year's Budgets and Rates**

The budget for next year includes a lower millage rate than was levied for the year ended June 30, 2004. In fiscal year end June 30, 2004, the millage rate levied was 14.2668 and in fiscal year ended June 30, 2005 the millage rate levied is 14.0128. These rollbacks are due to the city being in a Headlee rollback situation. Headlee rollbacks will continue as long as taxable values increase more than inflation.

The voters in the City of East Grand Rapids approved the issuance of \$8,740,000 in Unlimited Tax General Obligation Bonds in June 2004. These bonds were issued in July 2004 and the tax levy to pay the current year obligation was .8551 mills. The bonds were issued to renovate the municipal complex including City Hall and the Library. The city has also received over \$1 million in pledges of donations for this project.

Another factor influencing property tax revenues is Proposal A. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties may increase in value by less than inflation, the mathematical result of this is that the total taxable value may grow less than inflation. In addition, the City of East Grand Rapids is a land-locked community so there are seldom new additions adding value to the tax roll other than remodeling or renovation of properties.

The budget for next year also included a projected reduction of state shared revenues in the amount of \$100,000. State shared revenues are based on sales tax revenues which have decreased recently with the economic downturn. The state is also in a budget crisis and has discussed using some of this revenue sharing to balance the state budget. In order to offset this decrease in state shared revenues, the budget did not include funding for a vacant public safety officer position. In October of 2004, the state announced that state shared revenues for local units would remain the same as last fiscal year. Therefore an amendment was done to the budget to reflect the additional \$100,000 in projected state shared revenues and the vacant public safety officer position was funded by the city commission via a budget amendment.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Management's Discussion and Analysis - Continued**

**Year Ended June 30, 2004**

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### **Economic Factors and Next Year's Budgets and Rates (continued)**

The city is self funded for health care benefits. At the end of the year ended June 30, 2004, the city had to make an emergency transfer of \$135,000 from the other funds to cover increased claim costs. The budget for next year includes a large increase in the amount of contributions from all funds to cover the increasing health care costs. Beginning January 1, 2005, the city will implement a Consumer Directed Health Plan for all employees. This plan will have a significantly higher deductible for each employee and larger co-pays for out-of-network services. During 2004, co-pays on prescription benefits were increased. These changes have been made in an effort to control increasing costs of health care benefits.

The city has responded to the economic downturn and pressure on revenues by trying to keep program expenses constant and increasing some user fees. A review of all user fees was conducted during the past year and the city commission approved increases in many user fees and added additional fees not previously charged such as returned check charges. The budget for 2005 reflects expenditure reductions in every department including capital spending. Additional animal control services from Kent County were eliminated in the Public Safety Department, creating a savings of \$27,000. Contractual services in the Finance Department were reduced by \$28,200 due to the property tax administration system with Kent County being eliminated and the administration of property taxes being handled by the city in 2005.

The General Fund budget for next year is \$219,600 more than last fiscal year. The increases are in Health Care Fund charges and pool costs due to an increase in operational costs. Budgeted expenditures exceed budgeted revenues by \$361,200. The excess will be funded from available fund balance. The city ended the fiscal year June 30, 2004 with an undesignated fund balance of over 18 percent of budgeted operating expenditures. The budget for next year decreases the ending undesignated fund balance to closer to 15 percent of operating expenditures. The General Fund budget also includes a transfer to the Street Funds in the amount of \$538,000 for street construction. This is the dollar amount of the one and one-third mills that the city commission chooses to dedicate annually to road projects. Currently the city's general fund revenues are sufficient to meet operating expenditures.

The Major Street Fund includes \$710,000 budgeted for the reconstruction of Lake Drive. This project is made possible by a federal grant of \$300,000.

The Local Street Fund includes \$515,000 budgeted towards the construction of the Reeds Lake Bike Trail - Phase I. This project is funded through a \$300,000 gift, \$115,000 federal grant and \$100,000 each from Grand Rapids Township and the City of East Grand Rapids.

As for the city's business-type activities, the budget for next year holds water and sewer rates constant. Wholesale commodity rates have increased only moderately and the current rate structure allows for the targeted capital improvements.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the city's finances and to demonstrate the city's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 750 Lakeside Drive, SE, Grand Rapids, Michigan 49506.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Statement of Net Assets

June 30, 2004

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Cash and cash equivalents (note A5 and B)	\$ 5,115,888	\$ 967,029	\$ 6,082,917
Receivables (note A6)			
Accounts	30,481	325,626	356,107
Special assessments	29,544	-	29,544
Due from other governmental units	500,704	-	500,704
Inventories (note A7)	58,734	56,704	115,438
Prepaid items (note A7)	51,662	-	51,662
Deferred debt expense (note A11)	40,273	-	40,273
Drainage district facility rights (net of accumulated amortization of \$684,942) (note A8)	-	845,722	845,722
	5,827,286	2,195,081	8,022,367
Capital assets (note A9 and C)			
Land, construction in progress and other assets not being depreciated	2,333,665	81,969	2,415,634
Other capital assets, net of depreciation	10,374,243	7,257,705	17,631,948
Total capital assets	12,707,908	7,339,674	20,047,582
<b>TOTAL ASSETS</b>	<b>\$ 18,535,194</b>	<b>\$ 9,534,755</b>	<b>\$ 28,069,949</b>

The notes to the financial statements are an integral part of this statement.

<b>LIABILITIES AND NET ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable	\$ 499,491	\$ 129,995	\$ 629,486
Accrued liabilities	435,542	34,459	470,001
Due to other governmental units	-	233,228	233,228
Deferred revenue	14,499	-	14,499
	<u>949,532</u>	<u>397,682</u>	<u>1,347,214</u>
<b>Long-term liabilities (note A10, A11 and E)</b>			
Due within one year			
Bonds payable	45,000	82,000	127,000
Compensated absences	4,000	-	4,000
Due in more than one year			
Bonds payable (net of unamortized discount of \$14,388)	1,650,612	977,032	2,627,644
Compensated absences	20,000	-	20,000
<b>Total long-term liabilities</b>	<u>1,719,612</u>	<u>1,059,032</u>	<u>2,778,644</u>
<b>Total liabilities</b>	<u>2,669,144</u>	<u>1,456,714</u>	<u>4,125,858</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	11,012,296	7,339,674	18,351,970
Restricted for			
Streets and highways	1,745,831	-	1,745,831
Debt service	192,188	-	192,188
Unrestricted	2,915,735	738,367	3,654,102
<b>Total net assets</b>	<u>15,866,050</u>	<u>8,078,041</u>	<u>23,944,091</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 18,535,194</u>	<u>\$ 9,534,755</u>	<u>\$ 28,069,949</u>

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Statement of Activities

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
Legislative	\$ 27,699	\$ -	\$ -	\$ -
General government	1,865,346	233,091	-	200,000
Public safety	3,486,979	129,970	6,410	-
Public works	1,915,406	30,432	738,593	414,344
Recreation and culture	1,332,174	700,999	-	-
General administration	195,492	-	-	-
Interest on long-term debt	75,480	-	-	-
<b>Total governmental activities</b>	<b>8,898,576</b>	<b>1,094,492</b>	<b>745,003</b>	<b>614,344</b>
<b>Business-type activities</b>				
Water and sewer	2,342,050	2,460,113	-	-
<b>Total</b>	<b>\$ 11,240,626</b>	<b>\$ 3,554,605</b>	<b>\$ 745,003</b>	<b>\$ 614,344</b>

### General revenues

Property taxes, levied for general purposes

Property taxes, levied for debt service

State shared revenues

Cable television fees

Interest and rents

Other

Gain on disposal of capital assets

**Total general revenues**

Change in net assets

**Net assets at beginning of year**

**Net assets at end of year**

The notes to the financial statements are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (27,699)	\$ -	\$ (27,699)
(1,432,255)	-	(1,432,255)
(3,350,599)	-	(3,350,599)
(732,037)	-	(732,037)
(631,175)	-	(631,175)
(195,492)	-	(195,492)
(75,480)	-	(75,480)
(6,444,737)	-	(6,444,737)
-	118,063	118,063
(6,444,737)	118,063	(6,326,674)
5,878,713	-	5,878,713
117,635	-	117,635
992,469	-	992,469
105,300	-	105,300
118,238	5,959	124,197
35,446	-	35,446
42,229	-	42,229
7,290,030	5,959	7,295,989
845,293	124,022	969,315
15,020,757	7,954,019	22,974,776
\$ 15,866,050	\$ 8,078,041	\$ 23,944,091

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Governmental Funds

### Balance Sheet

June 30, 2004

ASSETS	General	Major Streets	Local Streets
Cash and cash equivalents (note A5 and B)	\$ 2,200,374	\$ 852,464	\$ 633,251
Receivables (note A6)			
Accounts	30,481	-	-
Assessments	-	-	-
Due from other governmental units	386,230	83,003	31,471
Prepaid items (note A7)	43,354	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,660,439</b>	<b>\$ 935,467</b>	<b>\$ 664,722</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 337,615	\$ 35,936	\$ 90,574
Accrued liabilities	316,788	4,431	4,810
Deferred revenue	14,499	-	-
<b>Total liabilities</b>	<b>668,902</b>	<b>40,367</b>	<b>95,384</b>
Fund balances (note A12)			
Reserved for prepaid items	43,354	-	-
Unreserved			
Designated, reported in (note K)			
General fund	402,469	-	-
Undesignated, reported in			
General fund	1,545,714	-	-
Special revenue funds	-	895,100	569,338
Debt service funds	-	-	-
Capital projects funds	-	-	-
<b>Total fund balances</b>	<b>1,991,537</b>	<b>895,100</b>	<b>569,338</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,660,439</b>	<b>\$ 935,467</b>	<b>\$ 664,722</b>

The notes to the financial statements are an integral part of this statement.

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Other Governmental Funds	Total Governmental Funds
\$ 186,044	\$ 3,872,133
-	30,481
29,544	29,544
-	500,704
-	43,354
<u>\$ 215,588</u>	<u>\$ 4,476,216</u>

\$ 329	\$ 464,454
-	326,029
26,590	41,089
<u>26,919</u>	<u>831,572</u>

-	43,354
---	--------

-	402,469
---	---------

-	1,545,714
---	-----------

-	1,464,438
---	-----------

170,915	170,915
---------	---------

17,754	17,754
--------	--------

<u>188,669</u>	<u>3,644,644</u>
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<u>\$ 215,588</u>	<u>\$ 4,476,216</u>
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# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Reconciliation of Total Governmental Fund Balances to**

### **Net Assets of Governmental Activities**

June 30, 2004

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Total governmental fund balances		\$ 3,644,644
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 15,950,131	
Accumulated depreciation	<u>(4,807,755)</u>	11,142,376
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Bond issuance costs		40,273
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Governmental bonds payable	(1,710,000)	
Unamortized bond discount	14,388	
Accrued interest on the bonds	(19,000)	
Compensated absences	<u>(24,000)</u>	(1,738,612)
Special assessment revenue is not recognized until it is receivable in the current period and therefore is shown as deferred revenue in the governmental funds.		
		26,590
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.		
		<u>2,750,779</u>
Net assets of governmental activities		<u>\$ 15,866,050</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2004

	General	Major Streets	Local Streets
<b>Revenues</b>			
Property taxes	\$ 5,878,713	\$ -	\$ -
Licenses and permits	176,273	-	-
State revenues	1,005,332	510,148	218,333
Local grants and contributions	200,000	-	370,000
Charges for services	984,598	-	-
Fines and penalties	56,550	-	-
Interest and rents	104,319	5,582	4,531
Other	11,776	150	-
<b>Total revenues</b>	<b>8,417,561</b>	<b>515,880</b>	<b>592,864</b>
<b>Expenditures</b>			
Current			
Legislative	27,699	-	-
General government	1,833,309	-	-
Public safety	3,393,102	-	-
Public works	589,778	487,158	712,914
Recreation and culture	1,214,753	-	-
Other functions	195,492	-	-
Capital outlay	489,119	-	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>7,743,252</b>	<b>487,158</b>	<b>712,914</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>674,309</b>	<b>28,722</b>	<b>(120,050)</b>
<b>Other financing sources (uses)</b>			
Transfers in	31,567	425,000	407,000
Transfers out	(891,131)	-	-
<b>Total other financing sources (uses)</b>	<b>(859,564)</b>	<b>425,000</b>	<b>407,000</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>(185,255)</b>	<b>453,722</b>	<b>286,950</b>
<b>Fund balances at beginning of year</b>	<b>2,176,792</b>	<b>441,378</b>	<b>282,388</b>
<b>Fund balances at end of year</b>	<b>\$ 1,991,537</b>	<b>\$ 895,100</b>	<b>\$ 569,338</b>

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 117,414	\$ 5,996,127
-	176,273
-	1,733,813
-	570,000
2,267	986,865
221	56,771
159	114,591
17,754	29,680
137,815	9,664,120
-	27,699
-	1,833,309
-	3,393,102
-	1,789,850
-	1,214,753
-	195,492
59,131	548,250
45,000	45,000
78,001	78,001
182,132	9,125,456
(44,317)	538,664
229,684	1,093,251
(202,120)	(1,093,251)
27,564	-
(16,753)	538,664
205,422	3,105,980
\$ 188,669	\$ 3,644,644

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004**

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Net change in fund balances - total governmental funds	\$	538,664
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of these assets is depreciated  
over their estimated useful lives.

Expenditures for capital assets	\$	877,542	
Current year depreciation		<u>(647,585)</u>	229,957

The issuance of long-term debt provides current financial resources to  
governmental funds, while the repayment of the principal of long-term  
debt consumes the current financial resources of governmental funds.  
Neither transaction, however, has any effect on net assets. Also,  
governmental funds report the effect of issuance costs, premiums,  
discounts and similar items when debt is first issued, whereas these  
amounts are deferred and amortized in the statement of activities.

Principal payments	45,000	
Amortization of bond discount	(1,209)	
Change in accrued interest on the bonds	3,730	
Amortization of bond issuance costs	(3,385)	
Change in long-term compensated absences	<u>10,000</u>	54,136

Governmental funds recognize special assessments as  
revenue as they become current, however they are  
recognized in full when levied in the statement of net assets

	26,590
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Internal service funds are used by management to charge the costs  
of certain activities to individual funds. The net change of the internal  
service funds is reported with governmental activities.

	<u>(4,054)</u>
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Change in net assets of governmental activities	\$	845,293
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The notes to the financial statements are an integral part of this statement.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Proprietary Funds

### Statement of Fund Net Assets

June 30, 2004

	Business-Type Activities Water and Sewer	Governmental Activities Internal Service
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (note A5 and B)	\$ 967,029	\$ 1,243,754
Accounts receivable	325,626	-
Inventories (note A7)	56,704	58,734
Prepaid items (note A7)	-	8,307
<b>Total current assets</b>	<b>1,349,359</b>	<b>1,310,795</b>
Noncurrent assets		
Drainage district facility rights (net of accumulated amortization of \$684,942) (note A8)	845,722	-
Capital assets (note A9 and C)		
Land, construction in progress and other assets not being depreciated	81,969	-
Other capital assets, net of depreciation	7,257,705	1,565,532
<b>Total capital assets</b>	<b>7,339,674</b>	<b>1,565,532</b>
<b>Total noncurrent assets</b>	<b>8,185,396</b>	<b>1,565,532</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,534,755</b>	<b>\$ 2,876,327</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Current maturities of long-term debt	\$ 82,000	\$ -
Accounts payable	129,995	35,037
Accrued liabilities	34,459	90,511
Due to other governmental units	233,228	-
<b>Total current liabilities</b>	<b>479,682</b>	<b>125,548</b>
Noncurrent liabilities		
Long-term debt, less current maturities (note A11 and E)	977,032	-
<b>Total liabilities</b>	<b>1,456,714</b>	<b>125,548</b>
Net assets		
Invested in capital assets, net of related debt	7,339,674	1,565,532
Unrestricted	738,367	1,185,247
<b>Total net assets</b>	<b>8,078,041</b>	<b>2,750,779</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,534,755</b>	<b>\$ 2,876,327</b>

The notes to the financial statements are an integral part of this statement.



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Proprietary Funds

### Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended June 30, 2004

	Business-Type Activities Water and Sewer	Governmental Activities Internal Service
Operating revenues		
Metered water sales	\$ 832,589	\$ -
Sewage disposal charge	516,714	-
Service charges and flat rate sales	1,067,203	-
Installations	2,290	-
Fines and penalties	40,518	-
Equipment rentals	-	583,264
Contributions from other funds	-	947,400
Other	799	-
<b>Total operating revenues</b>	<b>2,460,113</b>	<b>1,530,664</b>
Operating expenses		
Operations	1,871,744	387,394
Administration and general	71,000	231,510
Depreciation and amortization	352,669	254,412
Health care claims	-	714,561
<b>Total operating expenses</b>	<b>2,295,413</b>	<b>1,587,877</b>
Operating income (loss)	164,700	(57,213)
Nonoperating revenues (expenses)		
Interest income	5,959	11,493
Gain on disposal of capital assets	-	41,666
Interest expense	(46,637)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(40,678)</b>	<b>53,159</b>
Change in net assets	124,022	(4,054)
Net assets at beginning of year	7,954,019	2,754,833
Net assets at end of year	\$ 8,078,041	\$ 2,750,779

The notes to the financial statements are an integral part of this statement.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Proprietary Funds

### Statement of Cash Flows

Year Ended June 30, 2004

	Business-Type Activities Water and Sewer	Governmental Activities Internal Service
Cash flows from operating activities		
Receipts from customers	\$ 2,617,647	\$ -
Receipts from interfund services provided	-	1,430,664
Payments to suppliers	(1,464,567)	(973,518)
Payments to employees	(265,764)	(131,804)
Payments for internal services used	(158,402)	(46,149)
Net cash provided by operating activities	728,914	279,193
Cash flows from capital and related financing activities		
Purchase of capital assets	(245,019)	(147,105)
Proceeds from sale of capital assets	-	41,666
Principal paid on long-term debt	(62,892)	-
Interest paid on long-term debt	(46,637)	-
Net cash used for capital and related financing activities	(354,548)	(105,439)
Cash flows from investing activities		
Interest income	5,959	11,493
NET INCREASE IN CASH AND CASH EQUIVALENTS	380,325	185,247
Cash and cash equivalents at beginning of year	586,704	1,058,507
Cash and cash equivalents at end of year	\$ 967,029	\$ 1,243,754

The notes to the financial statements are an integral part of this statement.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Proprietary Funds

### Statement of Cash Flows - Continued

Year Ended June 30, 2004

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Water and Sewer</b>	<b>Internal Service</b>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 164,700	\$ (57,213)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	352,669	254,412
(Increase) decrease in		
Accounts receivable	157,533	220,307
Inventories	2,000	(14,295)
Increase (decrease) in		
Accounts payable	77,352	(40,889)
Accrued liabilities	9,965	16,871
Due to other funds	-	(100,000)
Due to other governmental units	(35,305)	-
Net cash provided by operating activities	\$ 728,914	\$ 279,193

The notes to the financial statements are an integral part of this statement.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Fiduciary Funds

### Statement of Fiduciary Assets and Liabilities

June 30, 2004

		Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents (note A5 and B)	\$	23,705
Property taxes receivable (note A6)		110,979
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>134,684</b>
<b>LIABILITIES</b>		
Accrued liabilities	\$	2,653
Due to other governmental units		108,104
Other liabilities		23,927
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>134,684</b>

The notes to the financial statements are an integral part of this statement.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to the Financial Statements**

June 30, 2004

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### **Note A - Summary of Significant Accounting Policies**

The accounting policies of East Grand Rapids, Michigan, (city), conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to cities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the city the option of electing to apply FASB pronouncements issued after November 30, 1989. The city has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the city are discussed below.

#### **1. Financial Reporting Entity**

The City of East Grand Rapids, Michigan was incorporated in 1927, under the provisions of the Home Rule Act of the State of Michigan. The city operates under a commission-manager form of government and provides the following services as authorized by its charter: legislative, general government, public safety (police and fire), public works, recreation and culture, public improvement, zoning and general administrative services.

As required by GASB 14, the financial statements present the city (the primary government) and its component units, entities for which the city is considered to be financially accountable. The component unit discussed below is included in the city's reporting entity because of its operational and financial relationship with the city.

#### **Blended Component Units**

Blended component units, although legally separate entities, are, in substance, part of the city operations and data from these units are combined with data from the primary government.

##### **•City of East Grand Rapids Building Authority**

The building authority is governed by a board appointed by the city commission. For financial reporting purposes, the building authority is reported as if it were a part of the city's operations because its sole purpose is to finance and construct the city's public buildings.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **2. Basis of Accounting - Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the city as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the city and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the city.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note A - Summary of Significant Accounting Policies (continued)

#### 3. Basis of Accounting - Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

The city reports the following major funds:

#### General Fund

The general fund is the general operating fund of the city. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

#### Special Revenue Funds

Major Streets Fund - To account for gas and weight tax allocations to the city by the Michigan Department of Transportation for construction and maintenance of major streets within the city.

Local Streets Fund - To account for gas and weight tax allocations to the city by the Michigan Department of Transportation for construction and maintenance of local streets within the city.

#### Enterprise Fund

Water and Sewer Fund - To account for user charges, operating expenses and debt service of the city's water and sewer system.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **3. Basis of Accounting - Fund Financial Statements (continued)**

The following is a description of the three major categories and various fund types within those categories into which the funds are grouped:

##### **Governmental Funds**

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

##### **Revenue Recognition**

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for expenditure-driven grants are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

##### **Expenditure Recognition**

The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the city:

##### **General Fund**

The general fund is the general operating fund of the city. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

##### **Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.



# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **3. Basis of Accounting - Fund Financial Statements (continued)**

##### **Governmental Funds (continued)**

###### **Debt Service Funds**

Debt service funds are used to record the funding and payment of principal, interest and related expenses in connection with certain long-term debt other than debt payable from the operations of the proprietary funds.

###### **Capital Projects Funds**

Capital projects funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations.

##### **Proprietary Funds**

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and of the city's internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund types of the city:

###### **Enterprise Funds**

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

###### **Internal Service Funds**

Internal service funds are used to record the financing of goods or services provided by the city to other departments and funds or to other governmental units on a cost reimbursement basis.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **3. Basis of Accounting - Fund Financial Statements (continued)**

##### **Fiduciary Funds (Not Included in Government-Wide Financial Statements)**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support city programs.

##### **Agency Funds**

Agency funds are used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### **4. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles for all general and special revenue funds. The city follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to May 15, the city manager submits to the city commission a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted at a city commission meeting to obtain taxpayer comments.
- The budget is legally adopted by passage of a resolution prior to June 30.
- The city's finance director is authorized to transfer budgeted amounts between accounts within the same department of any fund upon written request by a department head. The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the city commission. The city manager is authorized to transfer budgeted amounts less than \$5,000. All budgeted transfers in excess of \$5,000 or revisions that alter the total expenditures of any fund must be approved by the city commission.
- Budgeted amounts are presented both as originally adopted and as amended by the city commission before June 30, 2004. Amendments were made to the budgets to reflect actual expenditures that were higher than originally budgeted.
- Formal budget integration is employed as a management control device during the year for the general and special revenue funds. Formal budgetary integration is not employed for any other fund, and only informational summaries are prepared for the enterprise, internal service and other funds to serve as a management tool and are presented to the city commission for consideration.
- Appropriations are authorized by ordinance at the fund level. Administrative control is maintained through the establishment of a more detailed line-item budget. All budget appropriations lapse at the end of the year.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **4. Budgets and Budgetary Accounting (continued)**

- Budgets as presented for the governmental funds are prepared on the modified accrual basis and budgets for the enterprise and internal service funds are adopted on an accrual basis, consistent with generally accepted accounting principles.

#### **5. Deposits and Investments**

Statutes authorize the city to deposit and invest in the following:

- In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures no more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptances of United States banks.
- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The city maintains a cash and investment pool that is available for use by all funds. Each fund types' portion of the pool is reported in the financial statements as 'cash and cash equivalents' and 'investments'.

The city commission has authorized the city to invest in the Kent County Pooled Cash and Investment System. The city's investment in this system is classified as 'cash and cash equivalents' in the financial statements.

For the purpose of the statement of cash flows, the city considers all assets held in the cash and investment pool to be cash and cash equivalents because the investments are not identifiable to the specific funds and the assets can be withdrawn at any time, similar to a demand deposit account.

Investments with a maturity of greater than one year at the date of purchase are stated at fair value, and all other investments are stated at cost or amortized cost.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **6. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on July 1 and payable without penalty in one installment before August 14 with final collection date of March 1 before they are added to the county tax rolls. City property taxes are recognized as revenue (and become available for appropriation) in the period for which they are levied. The city bills and collects its own property taxes and also taxes for the county and school districts in the city. Collections of all the taxes and remittance of them to the other taxing authorities are accounted for in the county and school tax fund.

The 2003 taxable value of the city totaled \$413,474,002, on which ad valorem taxes levied consisted of 14.2668 mills for the general operations of the city. The Wealthy Pool debt millage consists of 0.29 mills which will expire in 2022.

The 2003 state equalized valuation of the city was \$546,705,900.

#### **7. Inventories and Prepaid Items**

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

#### **8. Drainage District Facility Rights**

The city is a participant in the Silver Creek Drainage District, an intra-county drain in Kent County owned and operated by the Kent County Drain Commission. Each member municipality has pledged its full faith and credit in repayment of their allocated shares of long-term debt of the system.

The city accounts for the group of transactions substantially in accordance with APB 17, Intangible Assets. The contract payable to the Kent County Drain Commission is presented as long-term debt. The city's investment in the intangible asset is presented as drainage district rights.

The investment in drainage district rights is amortized over the life of the debt issue.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note A - Summary of Significant Accounting Policies (continued)

#### 9. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Water and sewage systems	20 - 50
Buildings and improvements	10 - 35
Motor vehicles and equipment	4 - 20
Infrastructure	5 - 20

#### 10. Compensated Absences

It is the city's policy to permit employees to accumulate earned but unused sick and vacation benefits. The city follows the accounting and reporting principles outlined in GASB 16, with regard to employee vacation and sick leave.

Employees must use earned vacation time within 12 months from the date that vacation time is credited to their account (July 1). Unused vacation days are paid to employees upon termination under limits that vary by employee group.

Employees accumulate sick leave at the rate of one day per month of employment. Unused sick leave, under limits that vary by employee group, is payable to employees (or their beneficiaries) with ten or more years of continuous service at the rate of \$1.00 per day, times the years of continuous service upon retirement or death. Upon resignation, any outstanding sick leave is lost. The vesting method is used to determine the amount of sick leave accrued.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, a liability for these amounts is reported in the governmental funds only for employee termination as of year-end while the proprietary funds report the liability as it is incurred.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **11. Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **12. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose. Reserves exist for prepaid items as those items will be expended in subsequent years. Designations of fund balance represent tentative management plans that are subject to change.

#### **13. Comparative Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the city's financial position and operations. However, comparative (i.e., presentation of prior years totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read. Also, certain items in the 2003 financial statements have been reclassified to conform to the 2004 presentation.

### **Note B - Cash, Cash Equivalents and Investments**

#### **Deposits**

At year end, the carrying amount of the city's deposits was \$1,143,064 and the bank balance was \$1,192,145. Of the bank balance, \$200,000 was covered by federal depository insurance and \$992,145 was uninsured and uncollateralized.

The city's deposits are categorized below according to level of credit risk:

- Category 1 represents the city's insured or collateralized deposits with securities held by the city or by its agent in the city's name.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note B - Cash, Cash Equivalents and Investments (continued)

#### Deposits (continued)

•Category 2 represents the city's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the city's name.

•Category 3 represents the city's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the city's name.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ 100,000	\$ -	\$ 790,192	\$ 890,192	\$ 841,111
Time deposits	100,000	-	201,953	301,953	301,953
	\$ 200,000	\$ -	\$ 992,145	\$ 1,192,145	\$ 1,143,064

#### Investments

Investments are categorized below to give an indication of the level of risk assumed by the entity at year end:

•Category 1 includes investments that are insured or registered, or for which the securities are held by the city or by its agent in the city's name.

•Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the city's name.

•Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or by its trust department or agent but not in the city's name.

	Category			Carrying Amount
	1	2	3	
Commercial paper	\$ 544,913	\$ -	\$ -	\$ 544,913

Investments not subject to categorization:

Money market	2,634,789
Investment pool	1,783,855
	<u>\$ 4,963,557</u>

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note B - Cash, Cash Equivalents and Investments (continued)

Total deposits and investments at June 30, 2004, were \$6,106,621 and are presented as follows:

Balance Sheet Classification	Combined Total
<b>Governmental Funds Balance Sheet</b>	
Cash and cash equivalents	\$ 3,872,133
<b>Statement of Fund Net Assets - Proprietary Funds</b>	
Enterprise Fund	
Cash and cash equivalents	967,029
Internal Service Funds	
Cash and cash equivalents	1,243,754
<b>Statement of Fiduciary Net Assets - Fiduciary Funds</b>	
Cash and cash equivalents	23,705
	<b>\$ 6,106,621</b>

### Note C - Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Governmental activities</b>				
<b>Capital assets being depreciated</b>				
Land improvements	\$ 673,435	\$ -	\$ -	\$ 673,435
Buildings	843,629	-	-	843,629
Building improvements	3,427,774	426,482	-	3,854,256
Vehicles and equipment	3,121,388	209,740	(157,078)	3,174,050
Infrastructure	8,185,818	254,807	(337,557)	8,103,068
<b>Total capital assets     being depreciated</b>	<b>16,252,044</b>	<b>891,029</b>	<b>(494,635)</b>	<b>16,648,438</b>
<b>Less accumulated depreciation</b>				
Land improvements	33,672	33,672	-	67,344
Buildings	810,216	9,187	-	819,403
Building improvements	758,228	175,522	-	933,750
Vehicles and equipment	1,382,438	271,891	(157,078)	1,497,251
Infrastructure	2,882,278	411,726	(337,557)	2,956,447
<b>Total accumulated depreciation</b>	<b>5,866,832</b>	<b>901,998</b>	<b>(494,635)</b>	<b>6,274,195</b>



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note C - Capital Assets (continued)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Net capital assets being depreciated	\$ 10,385,212\$	(10,969)\$	-	\$ 10,374,243
Capital assets not being depreciated				
Land	2,124,000	-	-	2,124,000
Construction in progress	76,048	193,921	(60,304)	209,665
Total capital assets not being depreciated	2,200,048	193,921	(60,304)	2,333,665
Total governmental activities capital assets net of depreciation \$	12,585,260\$	182,952\$	(60,304)\$	12,707,908
Business-type activities				
Capital assets being depreciated				
Sewer system	\$ 7,586,046\$	55,598\$	-	\$ 7,641,644
Water system	4,414,820	-	-	4,414,820
Lift stations	255,637	135,346	-	390,983
Water tower	293,300	9,928	-	303,228
Meters	350,271	-	-	350,271
Total capital assets being depreciated	12,900,074	200,872	-	13,100,946
Less accumulated depreciation				
Sewer system	3,609,539	152,833	-	3,762,372
Water system	1,587,689	88,296	-	1,675,985
Lift stations	106,575	12,175	-	118,750
Water tower	166,428	5,866	-	172,294
Meters	96,326	17,514	-	113,840
Total accumulated depreciation	5,566,557	276,684	-	5,843,241
Net capital assets being depreciated	7,333,517	(75,812)	-	7,257,705
Capital assets not being depreciated				
Construction in progress	37,822	245,018	(200,871)	81,969
Total business-type activities capital assets net of depreciation \$	7,371,339\$	169,206\$	(200,871)\$	7,339,674

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note C - Capital Assets (continued)

Depreciation was charged to programs of the city as follows:

Governmental activities		
General government	\$	30,537
Public safety		76,562
Public works		427,950
Recreation and culture		112,536
Internal service fund depreciation is charged to the various programs based on their usage of the assets		254,412
<u>Total governmental activities depreciation expense</u>	<u>\$</u>	<u>901,997</u>
Business-type activities		
Water and sewer	\$	276,684

### Note D - Interfund Transfers

Interfund transfers consisted of the following at June 30, 2004:

Fund	Transfers In	Fund	Transfers Out
Major Streets	\$ 425,000	General	\$ 891,131
Local Streets	407,000		
Municipal Complex	59,131		
	891,131		891,131
General	31,567	Wealthy Pool Capital Projects	202,120
Wealthy Pool Debt Service	170,553		
	202,120		202,120
	\$ 1,093,251		\$ 1,093,251

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### Note E - Long-Term Debt

Long-term debt at June 30, 2004, consisted of the following:

#### Governmental Activities

\$1,775,000 - Unlimited Tax General Obligation Bonds, Series 2002; due in annual installments of \$45,000 to \$165,000 through April 2022; interest at 2.85% to 4.90% (unamortized discount \$14,388). \$ 1,710,000

Compensated absences	24,000
<u>Total governmental activities long-term liabilities</u>	<u>\$ 1,734,000</u>

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note E - Long-Term Debt (continued)

#### Business-Type Activities

\$868,583 - 1995 Silver Creek Drain Bonds; due in annual installments of \$37,639 to \$39,569 through November 2005; interest at 4.80% to 4.90%. \$ 77,208

\$981,824 - 2003 Silver Creek Drain Refunding Bonds; due in annual installments of \$43,616 to \$107,648 through November 2015; interest at 2.00% to 4.25%. 981,824

**Total business-type activities long-term liabilities \$ 1,059,032**

The annual requirements to amortize all bonds and loans outstanding as of June 30, 2004, including interest of \$1,144,029 follows:

Years ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Principal	Interest	Principal	Interest
2005	\$ 45,000	\$ 76,672	\$ 81,255	\$ 33,906
2006	50,000	75,390	83,185	31,228
2007	55,000	73,790	84,448	27,903
2008	55,000	71,865	87,232	25,862
2009	60,000	69,830	90,944	23,522
2010-2014	400,000	306,688	499,264	72,486
2015-2019	580,000	202,719	132,704	5,618
2020-2022	465,000	46,550	-	-
	<b>\$ 1,710,000</b>	<b>\$ 923,504</b>	<b>\$ 1,059,032</b>	<b>\$ 220,525</b>

The following is a summary of bonds and loans and compensated absences transactions for the year ended June 30, 2004:

	Balance July 1, 2003		Additions	Repayments	Balance June 30, 2004
Governmental bonds and loans	\$ 1,755,000	\$ -	\$ (45,000)	\$	1,710,000
Business-type bonds and loans	1,056,135	65,789	(62,892)		1,059,032
Long-term compensated absences	34,000	-	(10,000)		24,000
	<b>\$ 2,845,135</b>	<b>\$ 65,789</b>	<b>\$ (117,892)</b>	<b>\$</b>	<b>2,793,032</b>

The full faith and credit of the city has been pledged for the repayment of all bonds and loans payable. There are a number of limitations and restrictions contained in the various bond indentures. The city is in substantial compliance with all significant limitations and restrictions.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

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### **Note E - Long-Term Debt (continued)**

On September 30, 2003 the County of Kent issued \$981,824 of Drain Refunding Bonds to refund portions of the 1993 and 1995 Silver Creek Drain Bonds. The refunding was undertaken to take advantage of favorable interest rates and reduce debt service payments over the next several years. The current refunding will reduce debt service payments of the city over the next several years by approximately \$57,416 and provide an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately \$45,552.

### **Note F - Pension Plans**

#### **Defined Benefit Pension Plan**

The city is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty and duty death allowances and post-retirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial data was available was for the year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the retirement system. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 Canal Road, Lansing, MI 48917-9755.

#### **Funding Policy**

MERS members are required to contribute an amount varying from 0.0% to 5.0% depending upon which plan they fall under. The city is required to contribute at an actuarially determined rate; the current rate is 0.0% to 134.30% of annual covered payroll depending on the plan. The contribution requirements of plan members and the commission are established and may be amended by MERS.

#### **Annual Pension Cost**

For the year ended June 30, 2004, the city's contributions totaling \$127,719 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined using the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used included (a) 8.0% long-term net investment rate of return, (b) projected salary increases ranging from 0.00% to 4.16% per year and (c) 4.50% per year cost-of-living adjustments. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note F - Pension Plans (continued)

#### Trend Information

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 166,969	100%	-
2003	141,879	100%	-
2004	127,719	100%	-

#### Defined Contribution Pension Plans

The city also maintains three defined contribution retirement plans offered by MERS and administered by ICMA Retirement Corporation (ICMA). The City Services Defined Contribution Plan covers all city service employees hired on or after July 7, 1999 and all city services employees hired prior to July 7, 1999 who elected to convert from the defined benefits plan on July 7, 1999. The Non-Union Defined Contribution Plan covers all non-union employees hired on or after July 1, 1999 and all non-union employees hired prior to July 1, 1999 who elected to convert from the defined benefit plan on July 1, 1999. The Public Safety Defined Contribution Plan covers all public safety lieutenants and sergeants hired on or after January 1, 2002 and all lieutenants and sergeants hired prior to January 1, 2002 who elected to convert to the defined contribution plan on January 1, 2002.

#### City Services Defined Contribution Plan

The City Services Plan requires participants and the city to each contribute 4% of the participants' salaries to the plan. The city's contribution for fiscal year 2004 was \$21,063 and the employees' contribution was also \$21,063.

#### Non-Union Defined Contribution Plan

The Non-Union Plan gives participants the option to contribute up to 1% of their salary to the plan. The city is required to contribute 14% of the participants' salary and match the employees' optional contribution. The city's contribution for fiscal year 2004 was \$199,255 and the employees' contribution was \$13,284.

#### Public Safety Defined Contribution Plan

The Public Safety Plan requires participants to contribute 3.81% of their salary to the plan. The city is required to contribute 15% of the participants' salary. The city's contribution for fiscal year 2004 was \$179,862 and the employees' contribution was \$45,259.

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

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### **Note G - Other Post Employment Benefits**

In addition to pension benefits, the city extends medical insurance coverage to retirees. This employer-paid benefit is provided upon the employee attaining 55 years of age, with 25 years of service to the city. Upon that attainment, the employee and eligible dependents, as applicable, are provided with medical insurance equivalent to that provided to existing employees in their classification until they are eligible for federal Medicare coverage. The city has twenty-one individuals/family groups who are receiving benefits. The benefits are financed with contributions by various city funds to the Health Care Fund, based on retirees claims and a provision for estimated claims incurred but not yet reported to the city. Current year expenses for covered individuals were \$91,544.

### **Note H - Risk Management**

The city is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The city manages its risk by purchasing commercial insurance for liability and property insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The city manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The city pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The city is self-insured for sewer back-up claims. Claims paid to date have not been significant.

The city is self-insured for employees' health benefits and accounts for and finances its uninsured risks of loss in the Health Care Fund (an internal service fund). Under this program, the Health Care Fund provides specific coverage for up to a maximum of \$30,000 per covered individual and certain aggregate coverage for the plan year. The city purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

All funds of the city participate in the program and make payments to the Health Care Fund based on experience estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The reserve at June 30, 2004, was \$8,882 and is reported as a reserve in the Health Care Fund. The claims liability of \$84,241 reported in the fund at June 30, 2004, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note H - Risk Management (continued)

Changes in the fund's claims liability amount in fiscal year 2003 and 2004 were as follows:

Fiscal Year Ended June 30,	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2003	\$ 42,885	\$ 681,325	\$ (657,402)	\$ 66,808
2004	66,808	714,561	(697,128)	84,241

### Note J - Contingent Liabilities

The city is party to various legal proceedings and claims which normally occur in government operations. Although the outcome of the legal proceedings and claims is not presently determinable, it is the opinion of the city's management that the resolution of these matters will not have a material adverse effect on the financial condition of the city.

### Note K - Designated Fund Balance

Unreserved fund balance designated for specific purposes is as follows:

<u>General Fund</u>	
Designated for public safety activities - drug seizure	\$ 162,469
Designated for municipal complex remodeling	140,000
Designated for potential contingencies	100,000
	<u>\$ 402,469</u>

### Note L - Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2004 the city incurred expenditures in certain budgetary funds which were significantly in excess of the amounts appropriated as follows:

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note L - Excess of Expenditures over Appropriations in Budgetary Funds (continued)

Fund	Amended Budget	Amount of Expenditures	Budget Variance
General			
City attorney	\$ 190,000	\$ 205,506	(15,506)
Local Streets			
Public works	662,400	712,914	(50,514)

All expenditures over appropriations have either been paid by transfers from other funds or by the reduction of the current fund balance.

### Note M - Subsequent Year Information

The city issued \$8,740,000 of unlimited tax general obligation bonds to finance improvements at the municipal complex. The bonds are dated July 8, 2004 and carry an interest rate of 3.00% to 4.60%. The bonds are to be paid over thirty years with the first principal payment being made in 2005. Funds for repayment of the bonds will come from a voter approved millage.

### Note N - State Construction Code Act

P.A. 245 of 1999, section 22(1) of the State Construction Code Act, requires fees generated by enforcing agencies or construction board of appeals be intended to bear a reasonable relationship to the actual cost of performing those services.

The fees generated by the city's enforcing agencies and the costs of providing those services were as follows for the year ended June 30, 2004:

Revenues	
Building permits	\$ 52,950
Other permits	14,018
Total revenues	66,968
Expenditures	
Salaries and wages	52,149
Payroll taxes and fringe benefits	20,667
Inspection services	5,608
Automobile expenses	6,167
Total expenditures	84,591
Deficiency of revenues under expenditures	\$ (17,623)



**REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances -

#### Budget and Actual

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
<b>Revenues</b>			
Property taxes			
Current taxes	\$ 5,898,900	\$ 5,898,900	\$ 5,860,825
Interest and penalties	17,000	17,000	17,888
<b>Total property taxes</b>	<b>5,915,900</b>	<b>5,915,900</b>	<b>5,878,713</b>
 Licenses and permits			
Business licenses	3,000	3,000	4,005
Cable television franchise fees	80,000	80,000	105,300
Building permits	30,000	30,000	52,950
Other licenses and permits	13,000	13,000	14,018
<b>Total licenses and permits</b>	<b>126,000</b>	<b>126,000</b>	<b>176,273</b>
 State revenues			
State shared revenues	1,001,800	1,001,800	992,469
State grants	18,000	18,000	12,863
<b>State revenues</b>	<b>1,019,800</b>	<b>1,019,800</b>	<b>1,005,332</b>
 Local grants and contributions	-	-	200,000
 Charges for services			
Administrative charges	71,000	71,000	71,000
Recreation fees	692,300	692,300	690,333
Grounds maintenance fees	162,600	162,600	148,497
Clerk's services	6,000	6,000	9,589
Right of way fees	6,500	6,500	30,432
Other charges for services	20,200	20,200	34,747
<b>Total charges for services</b>	<b>958,600</b>	<b>958,600</b>	<b>984,598</b>
 Fines and penalties	57,200	57,200	56,550
 Interest and rents			
Interest	80,000	80,000	43,857
Rentals			
Cable tower rental	57,800	57,800	60,462
<b>Interest and rents</b>	<b>137,800</b>	<b>137,800</b>	<b>104,319</b>

2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ (38,075)	\$ 5,764,276
888	20,082
(37,187)	5,784,358
1,005	3,300
25,300	97,419
22,950	38,041
1,018	16,212
50,273	154,972
(9,331)	1,086,870
(5,137)	18,128
(14,468)	1,104,998
200,000	-
-	66,000
(1,967)	636,077
(14,103)	186,253
3,589	776
23,932	1,076
14,547	34,961
25,998	925,143
(650)	60,443
(36,143)	78,185
2,662	54,293
(33,481)	132,478

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
Other			
Gain on disposal of capital assets	\$ -	\$ -	\$ 563
Other	7,700	7,700	11,213
Total other	7,700	7,700	11,776
Total revenues	8,223,000	8,223,000	8,417,561
Expenditures			
Current			
Legislative			
City commission			
Personal services	10,500	10,500	7,333
Contractual services	2,000	2,000	1,682
Miscellaneous	15,400	15,400	18,684
Total legislative	27,900	27,900	27,699
General government			
City manager			
Personal services	195,900	195,900	199,010
Contractual services	4,000	4,000	1,156
Operating supplies	-	-	-
Automobile expenses	200	200	135
Miscellaneous	6,800	6,800	5,246
Total city manager	206,900	206,900	205,547
City assessor			
Personal services	109,400	109,400	105,834
Operating supplies	3,300	3,300	3,300
Automobile expenses	400	400	36
Miscellaneous	1,900	1,900	1,897
Total city assessor	115,000	115,000	111,067
City attorney			
Professional services	185,000	185,000	193,766
Miscellaneous	5,000	5,000	11,740
Total city attorney	190,000	190,000	205,506

2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ 563	\$ 16
3,513	9,459
4,076	9,475
194,561	8,171,867

3,167	7,875
318	1,618
(3,284)	13,187
201	22,680

(3,110)	187,035
2,844	2,549
-	644
65	87
1,554	4,823
1,353	195,138

3,566	102,600
-	3,240
364	55
3	1,509
3,933	107,404

(8,766)	179,181
(6,740)	5,116
(15,506)	184,297

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
General government (continued)			
Controller-clerk-treasurer			
Elections			
Personal services	\$ 10,700	\$ 10,700	\$ 8,827
Contractual services	1,000	1,000	748
Operating supplies	4,500	4,500	5,497
Total elections	16,200	16,200	15,072
General activity			
Personal services	387,800	394,600	405,435
Contractual services	32,200	32,200	13,633
Professional services	16,900	16,900	16,850
Operating supplies	36,400	36,400	49,460
Automobile expenses	500	500	431
Repairs and maintenance	18,300	18,300	11,232
Miscellaneous	32,900	32,900	24,918
Total general activity	525,000	531,800	521,959
Total controller-clerk-treasurer	541,200	548,000	537,031
Grounds maintenance			
Personal services	128,200	128,200	105,789
Contractual services	700	700	604
Operating supplies	16,800	16,800	10,739
Automobile expenses	40,000	40,000	47,454
Repairs and maintenance	70,200	70,200	63,009
Miscellaneous	600	600	210
Total grounds maintenance	256,500	256,500	227,805
City buildings			
Personal services	211,000	211,000	186,574
Contractual services	289,100	289,100	257,101
Operating supplies	31,500	31,500	47,546
Automobile expenses	12,700	12,700	6,259
Repairs and maintenance	55,000	55,000	35,583
Miscellaneous	7,300	7,300	4,195
Total city buildings	606,600	606,600	537,258
Lake restoration			
Contractual services	20,000	20,000	9,095
Total general government	1,936,200	1,943,000	1,833,309

2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ 1,873	\$ 8,871
252	-
(997)	4,788
1,128	13,659
(10,835)	357,823
18,567	11,896
50	22,700
(13,060)	49,161
69	292
7,068	20,422
7,982	27,864
9,841	490,158
10,969	503,817
22,411	157,635
96	1,009
6,061	31,506
(7,454)	44,393
7,191	75,466
390	574
28,695	310,583
24,426	184,153
31,999	281,925
(16,046)	68,263
6,441	8,894
19,417	40,481
3,105	5,019
69,342	588,735
10,905	3,414
109,691	1,893,388

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
Public safety			
General activity			
Personal services	\$ 2,891,400	\$ 2,942,400	\$ 2,926,581
Contractual services	113,900	113,900	89,930
Operating supplies	89,400	89,400	83,660
Automobile expenses	172,000	172,000	167,958
Repairs and maintenance	8,000	8,000	7,998
Miscellaneous	26,700	26,700	19,110
Total general activity	3,301,400	3,352,400	3,295,237
State programs			
Training and development	7,700	7,700	5,562
Drug seizure program			
Operating supplies	12,200	12,200	7,712
Repairs and maintenance	1,000	1,000	-
Miscellaneous	1,000	1,000	-
Total drug seizure program	14,200	14,200	7,712
Inspection			
Personal services	80,000	80,000	72,816
Contractual services	-	-	5,608
Automobile expenses	7,000	7,000	6,167
Total inspection	87,000	87,000	84,591
Total public safety	3,410,300	3,461,300	3,393,102
Public works			
Street lighting			
Contractual services	69,000	69,000	66,696
Repairs and maintenance	2,000	2,000	2,969
Total street lighting	71,000	71,000	69,665
Waste collection			
Personal services	166,700	169,800	163,328
Contractual services	163,000	163,000	128,040
Operating supplies	800	800	366
Automobile expenses	84,700	84,700	79,351
Total waste collection	415,200	418,300	371,085



2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ 15,819	\$ 2,671,721
23,970	112,519
5,740	100,055
4,042	169,645
2	7,248
7,590	27,585
57,163	3,088,773
2,138	5,833
4,488	25,003
1,000	-
1,000	5,538
6,488	30,541
7,184	71,802
(5,608)	240
833	8,023
2,409	80,065
68,198	3,205,212
2,304	66,643
(969)	-
1,335	66,643
6,472	159,685
34,960	173,945
434	800
5,349	80,881
47,215	415,311

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
Public works (continued)			
Tree maintenance and removal			
Personal services	\$ 9,900	\$ 9,900	\$ 11,814
Contractual services	35,000	35,000	34,459
Automobile expenses	2,000	2,000	1,550
Repairs and maintenance	1,000	1,000	-
Total tree maintenance and removal	47,900	47,900	47,823
Engineering			
Personal services	93,800	93,800	94,846
Contractual services	15,000	15,000	135
Automobile expenses	7,000	7,000	6,224
Total engineering	115,800	115,800	101,205
Total public works	649,900	653,000	589,778
Recreation and culture			
Personal services	577,300	584,100	519,688
Contractual services	349,100	349,100	356,311
Joint facilities agreement	144,000	263,116	207,407
Operating supplies	93,000	93,000	88,125
Automobile expenses	800	800	615
Repairs and maintenance	4,900	4,900	5,671
Community promotion	24,900	24,900	21,934
Miscellaneous	12,500	12,500	15,002
Total recreation and culture	1,206,500	1,332,416	1,214,753
Other functions			
Contractual services	32,300	32,300	60,392
Unallocated fringe benefits	5,000	5,000	2,610
Insurance premiums and claims	155,000	155,000	124,417
Planning and studies	5,000	5,000	-
Urban service agreement	16,200	16,200	8,073
Total other functions	213,500	213,500	195,492

2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ (1,914)	\$ 10,879
541	27,198
450	1,714
1,000	-
77	39,791
(1,046)	92,916
14,865	10,743
776	7,505
14,595	111,164
63,222	632,909
64,412	457,115
(7,211)	343,755
55,709	165,910
4,875	67,417
185	628
(771)	5,486
2,966	21,201
(2,502)	14,068
117,663	1,075,580
(28,092)	92,337
2,390	4,487
30,583	162,099
5,000	-
8,127	13,455
18,008	272,378

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances -

#### Budget and Actual - Continued

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
Capital outlay			
Controller-clerk-treasurer	\$ 50,000	\$ 50,000	\$ 27,680
City buildings	136,000	460,058	426,483
Public safety general activity	5,300	5,300	5,167
Public safety state programs	16,600	16,600	20,832
Other functions	15,000	23,957	8,957
Total capital outlay	222,900	555,915	489,119
Total expenditures	7,667,200	8,187,031	7,743,252
Excess of revenues over expenditures	555,800	35,969	674,309
Other financing sources (uses)			
Transfers in			
Wealthy pool capital projects fund	-	-	31,567
Special assessments fund	-	-	-
Transfers out			
Major streets fund	(425,000)	(425,000)	(425,000)
Local streets fund	(407,000)	(407,000)	(407,000)
Municipal complex fund	-	(30,000)	(59,131)
Health care fund	-	-	-
Total other financing uses	(832,000)	(862,000)	(859,564)
Deficiency of revenues and other sources under expenditures and other uses	(276,200)	(826,031)	(185,255)
Fund balances at beginning of year	2,176,792	2,176,792	2,176,792
Fund balances at end of year	\$ 1,900,592	\$ 1,350,761	\$ 1,991,537

2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ 22,320	\$ -
33,575	47,547
133	20,000
(4,232)	10,952
15,000	-
66,796	78,499
443,779	7,180,646
638,340	991,221
31,567	-
-	30,764
-	(589,900)
-	(515,900)
(29,131)	-
-	(180,000)
2,436	(1,255,036)
640,776	(263,815)
-	2,440,607
\$ 640,776	\$ 2,176,792

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Major Streets Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
<b>Revenues</b>			
Federal grants	\$ -	\$ -	\$ -
State revenues			
Gas and weight tax distributions	450,000	450,000	510,148
Local grants and contributions	-	-	-
Interest	4,000	4,000	5,582
Other	-	-	150
<b>Total revenues</b>	<b>454,000</b>	<b>454,000</b>	<b>515,880</b>
<b>Expenditures</b>			
Current			
Public works			
Street maintenance	399,200	415,000	409,471
Street construction	440,000	440,000	30,618
Street administration	64,400	64,400	47,069
Total public works	903,600	919,400	487,158
Capital outlay	10,500	10,500	-
<b>Total expenditures</b>	<b>914,100</b>	<b>929,900</b>	<b>487,158</b>
Excess (deficiency) of revenues over expenditures	(460,100)	(475,900)	28,722
<b>Other financing sources</b>			
Transfers in - general fund	425,000	425,000	425,000
Excess (deficiency) of revenues and other sources over expenditures	(35,100)	(50,900)	453,722
<b>Fund balances at beginning of year</b>	<b>441,378</b>	<b>441,378</b>	<b>441,378</b>
<b>Fund balances at end of year</b>	<b>\$ 406,278</b>	<b>\$ 390,478</b>	<b>\$ 895,100</b>

2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ -	\$ 216,865
60,148	504,976
-	187,660
1,582	3,932
150	-
61,880	913,433
5,529	390,645
409,382	1,075,838
17,331	63,720
432,242	1,530,203
10,500	-
442,742	1,530,203
504,622	(616,770)
-	589,900
504,622	(26,870)
-	468,248
\$ 504,622	\$ 441,378

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Local Streets Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
Revenues			
State revenues			
Gas and weight tax distributions	\$ 172,000	\$ 172,000	\$ 218,333
Local grants and contributions	-	-	370,000
Interest	1,000	1,000	4,531
Total revenues	173,000	173,000	592,864
Expenditures			
Current			
Public works			
Street maintenance	366,000	366,000	344,159
Street construction	215,000	215,000	298,675
Street administration	65,500	81,400	70,080
Total expenditures	646,500	662,400	712,914
Deficiency of revenues under expenditures	(473,500)	(489,400)	(120,050)
Other financing sources			
Transfers in			
General fund	407,000	407,000	407,000
Special assessments fund	-	-	-
Total other financing sources	407,000	407,000	407,000
Excess (deficiency) of revenues and other sources over expenditures	(66,500)	(82,400)	286,950
Fund balances at beginning of year	282,388	282,388	282,388
Fund balances at end of year	\$ 215,888	\$ 199,988	\$ 569,338



2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ 46,333	\$ 215,027
370,000	-
3,531	869
419,864	215,896
21,841	356,856
(83,675)	223,079
11,320	63,374
(50,514)	643,309
369,350	(427,413)
-	515,900
-	66,724
-	582,624
369,350	155,211
-	127,177
\$ 369,350	\$ 282,388

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Schedule of Funding Progress

### Municipal Employees Retirement System of Michigan

June 30, 2004

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated.

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Underfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2001	\$ 15,153,663	\$ 16,732,813	\$ (1,579,150)	91%	\$ 998,215	158%
2002	14,438,982	17,246,648	(2,807,666)	84%	1,018,440	276%
2003	13,408,406	16,882,351	(3,473,945)	79%	795,299	437%

**SUPPLEMENTAL FINANCIAL INFORMATION**

## NON-MAJOR GOVERNMENTAL FUNDS

### DEBT SERVICE FUNDS

Debt service funds are used to record the funding and payment of principal, interest and related costs on general long-term debt.

Building Authority - To account for the financing and construction of the city's public buildings.

Wealthy Pool Debt Service - To account for the accumulation of resources and the payment of principal and interest on the Unlimited Tax General Obligation Bonds, Series 2002.

### CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations.

Wealthy Pool - To account for the proceeds of the Wealthy Street Pool bond proceeds and the costs of renovating Wealthy Street Pool.

Municipal Complex Fund - To account for the financing and construction of the city hall building.

Special Assessments Fund - To account for special assessment and interest income received used to finance paving projects.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Non-Major Governmental Funds

### Combining Balance Sheet

June 30, 2004

	Debt Service Wealthy Pool	Capital Projects Special Assessments	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 171,244	\$ 14,800	\$ 186,044
Special assessments receivable	-	29,544	29,544
<b>TOTAL ASSETS</b>	<b>\$ 171,244</b>	<b>\$ 44,344</b>	<b>\$ 215,588</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 329	\$ -	\$ 329
Deferred revenue	-	26,590	26,590
<b>Total liabilities</b>	<b>329</b>	<b>26,590</b>	<b>26,919</b>
<b>Fund balances</b>			
Unreserved			
Undesignated	170,915	17,754	188,669
<b>Total fund balances</b>	<b>170,915</b>	<b>17,754</b>	<b>188,669</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 171,244</b>	<b>\$ 44,344</b>	<b>\$ 215,588</b>

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Non-Major Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended June 30, 2004

	Debt Service	
	Building Authority	Wealthy Pool
Revenues		
Property taxes	\$ -	\$ 117,414
Charges for services	2,267	-
Fines and penalties	-	221
Interest	-	159
Other	-	-
Special assessments	-	-
Total revenues	2,267	117,794
Expenditures		
Capital outlay	-	-
Debt service		
Principal	5,000	40,000
Interest and fiscal charges	118	77,883
Total expenditures	5,118	117,883
Excess (deficiency) of revenues over expenditures	(2,851)	(89)
Other financing sources (uses)		
Transfers in		
Wealthy Pool capital projects fund	-	170,553
General fund	-	-
Transfers out		
General fund	-	-
Wealthy Pool debt service fund	-	-
Total other financing sources (uses)	-	170,553
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,851)	170,464
Fund balances at beginning of year	2,851	451
Fund balances at end of year	\$ -	\$ 170,915

Capital Projects			
Wealthy Pool	Municipal Complex	Special Assessments	Total
\$ -	\$ -	\$ -	\$ 117,414
-	-	-	2,267
-	-	-	221
-	-	-	159
-	-	17,754	17,754
-	-	17,754	137,815
-	59,131	-	59,131
-	-	-	45,000
-	-	-	78,001
-	59,131	-	182,132
-	(59,131)	17,754	(44,317)
-	-	-	170,553
-	59,131	-	59,131
(31,567)	-	-	(31,567)
(170,553)	-	-	(170,553)
(202,120)	59,131	-	27,564
(202,120)	-	17,754	(16,753)
202,120	-	-	205,422
\$ -	\$ -	\$ 17,754	\$ 188,669

## **ENTERPRISE FUND**

An enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Water and Sewer Fund** - To account for user charges, operating expenses and debt service of the city's water and sewer system.



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Water and Sewer Fund

### Statement of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
Operating revenues			
Metered water sales	\$ 780,000	\$ 780,000	\$ 832,589
Sewage disposal charge	560,000	560,000	516,714
Service charges and flat rate sales	1,100,000	1,100,000	1,067,203
Installations	-	-	2,290
Fines and penalties	40,000	40,000	40,518
Other	-	-	799
Total operating revenues	2,480,000	2,480,000	2,460,113
Operating expenses			
Operations			
Water			
Contractual services	900,000	900,000	778,957
Power and pumping			
Operating supplies	-	-	-
Mains and hydrants			
Personal services	124,400	124,400	126,536
Operating supplies	48,400	66,738	68,421
Automobile expenses	35,000	35,000	30,165
Repairs and maintenance	1,000	7,000	26,794
Miscellaneous	2,100	2,100	1,092
Total mains and hydrants	210,900	235,238	253,008
Meters			
Personal services	71,100	71,100	53,110
Operating supplies	500	500	834
Total meters	71,600	71,600	53,944
Meter reading and collecting			
Personal services	64,200	64,200	57,072
Contractual services	-	-	18,763
Operating supplies	31,000	31,000	18,443
Automobile expenses	16,800	16,800	15,108
Repairs and maintenance	500	500	-
Total meter reading and collecting	112,500	112,500	109,386

2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ 52,589	\$ 906,440
(43,286)	548,228
(32,797)	1,248,477
2,290	2,200
518	40,620
799	745
(19,887)	2,746,710
121,043	976,113
-	112
(2,136)	137,861
(1,683)	56,437
4,835	38,770
(19,794)	2,249
1,008	1,304
(17,770)	236,621
17,990	35,054
(334)	584
17,656	35,638
7,128	65,140
(18,763)	-
12,557	19,373
1,692	17,715
500	235
3,114	102,463

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Water and Sewer Fund

### Statement of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual - Continued

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
Operations (continued)			
Sewer			
Personal services	\$ 92,300	\$ 115,500	\$ 113,333
Contractual services	560,000	560,000	486,153
Operating supplies	7,500	1,500	3,997
Automobile expenses	31,000	31,000	33,729
Repairs and maintenance	25,000	30,100	10,455
Miscellaneous	50,000	50,000	28,782
Total sewer	765,800	788,100	676,449
Total operations	2,060,800	2,107,438	1,871,744
Administration and general	71,000	71,000	71,000
Depreciation and amortization	312,900	312,900	352,669
Total operating expenses	2,444,700	2,491,338	2,295,413
Operating income	35,300	(11,338)	164,700
Nonoperating revenues (expenses)			
Interest income	5,000	5,000	5,959
Interest expense	(53,600)	(53,600)	(46,637)
Total nonoperating expenses	(48,600)	(48,600)	(40,678)
Income (loss) before contributions and extraordinary item	(13,300)	(59,938)	124,022
Capital contributions	-	-	-
Income (loss) before extraordinary item	(13,300)	(59,938)	124,022
Extraordinary item	-	-	-
Change in net assets	(13,300)	(59,938)	124,022
Net assets at beginning of year	7,954,019	7,954,019	7,954,019
Net assets at end of year	\$ 7,940,719	\$ 7,894,081	\$ 8,078,041

2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ 2,167	\$ 90,099
73,847	485,119
(2,497)	5,003
(2,729)	35,060
19,645	30,148
21,218	15,105
111,651	660,534
235,694	2,011,481
-	66,000
(39,769)	348,816
195,925	2,426,297
176,038	320,413
959	9,984
6,963	(91,926)
7,922	(81,942)
183,960	238,471
-	506,552
183,960	745,023
-	109,412
183,960	854,435
-	7,099,584
\$ 183,960	\$ 7,954,019

## **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of a governmental unit, or to other governments on a cost-reimbursement basis.

**Equipment Revolving Fund** - To account for the purchase, operation, maintenance and depreciation of all city-owned vehicles and equipment and to account for charges to the user funds and departments to cover those expenses.

**Health Care Fund** - To account for the payment of approved health insurance claims and life insurance for the city's employees and dependents.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Internal Service Funds

### Combining Statement of Fund Net Assets

June 30, 2004

(with comparative totals for June 30, 2003)

ASSETS	Equipment Revolving	Health Care
Current assets		
Cash and cash equivalents	\$ 1,152,726	\$ 91,028
Accounts receivable	-	-
Inventories	58,734	-
Prepaid items	8,307	-
Total current assets	1,219,767	91,028
Noncurrent assets		
Capital assets, net of depreciation	1,565,532	-
<b>TOTAL ASSETS</b>	<b>\$ 2,785,299</b>	<b>\$ 91,028</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Accounts payable	\$ 35,037	\$ -
Accrued liabilities	8,365	82,146
Due to other funds	-	-
Total liabilities	43,402	82,146
Net assets		
Invested in capital assets	1,565,532	-
Unrestricted	1,176,365	8,882
Total net assets	2,741,897	8,882
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,785,299</b>	<b>\$ 91,028</b>

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Totals			
2004		2003	
\$	1,243,754	\$	1,058,507
	-		220,307
	58,734		44,439
	8,307		8,307
	1,310,795		1,331,560
<hr/>			
	1,565,532		1,672,840
<hr/>			
\$	2,876,327	\$	3,004,400

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\$	35,037	\$	75,926
	90,511		73,641
	-		100,000
	125,548		249,567

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	1,565,532		1,672,840
	1,185,247		1,081,993
	2,750,779		2,754,833
<hr/>			
\$	2,876,327	\$	3,004,400

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# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Internal Service Funds

### Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	Equipment Revolving	Health Care	Totals	
			2004	2003
Operating revenues				
Equipment rentals	\$ 583,264	\$ -	\$ 583,264	\$ 614,374
Contributions from other funds	-	947,400	947,400	643,800
Total operating revenues	583,264	947,400	1,530,664	1,258,174
Operating expenses				
Operations	163,232	224,162	387,394	376,058
Administration and general	209,854	21,656	231,510	211,108
Depreciation and amortization	254,412	-	254,412	249,007
Health care claims	-	714,561	714,561	681,326
Total operating expenses	627,498	960,379	1,587,877	1,517,499
Operating loss	(44,234)	(12,979)	(57,213)	(259,325)
Nonoperating revenues				
Interest income	11,493	-	11,493	17,229
Gain on disposal of capital assets	41,666	-	41,666	22,378
Total nonoperating revenues	53,159	-	53,159	39,607
Income (loss) before transfers	8,925	(12,979)	(4,054)	(219,718)
Transfers				
Transfers in - general fund	-	-	-	180,000
Change in net assets	8,925	(12,979)	(4,054)	(39,718)
Net assets at beginning of year	2,732,972	21,861	2,754,833	2,794,551
Net assets at end of year	\$ 2,741,897	\$ 8,882	\$ 2,750,779	\$ 2,754,833



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Equipment Revolving Fund

### Statement of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
Operating revenues			
Equipment rentals	\$ 606,100	\$ 606,100	\$ 583,264
Operating expenses			
Operations	187,100	187,100	163,232
Administration and general	199,200	211,600	209,854
Depreciation and amortization	250,000	250,000	254,412
Total operating expenses	636,300	648,700	627,498
Operating loss	(30,200)	(42,600)	(44,234)
Nonoperating revenues			
Interest income	15,000	15,000	11,493
Gain on disposal of capital assets	5,000	5,000	41,666
Total nonoperating revenues	20,000	20,000	53,159
Change in net assets	(10,200)	(22,600)	8,925
Net assets at beginning of year	2,732,972	2,732,972	2,732,972
Net assets at end of year	\$ 2,722,772	\$ 2,710,372	\$ 2,741,897

2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ (22,836)	\$ 614,374
23,868	188,135
1,746	186,381
(4,412)	249,007
21,202	623,523
(1,634)	(9,149)
(3,507)	16,382
36,666	22,378
33,159	38,760
31,525	29,611
-	2,703,361
\$ 31,525	\$ 2,732,972

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Health Care Fund

### Statement of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	2004		
	Original Budget	Amended Budget	Actual
Operating revenues			
Contributions from other funds	\$ 812,400	\$ 947,400	\$ 947,400
Operating expenses			
Operations	235,900	235,900	224,162
Administration and general	26,500	26,500	21,656
Health care claims	536,000	671,000	714,561
Total operating expenses	798,400	933,400	960,379
Operating income (loss)	14,000	14,000	(12,979)
Nonoperating revenues			
Interest income	2,000	2,000	-
Gain (loss) before transfers	16,000	16,000	(12,979)
Transfers			
Transfers in - general fund	-	-	-
Change in net assets	16,000	16,000	(12,979)
Net assets at beginning of year	21,861	21,861	21,861
Net assets at end of year	\$ 37,861	\$ 37,861	\$ 8,882

2004	2003
Variance with Amended Budget Positive (Negative)	Actual
\$ -	\$ 643,800
11,738	187,923
4,844	24,727
(43,561)	681,326
(26,979)	893,976
(26,979)	(250,176)
(2,000)	847
(28,979)	(249,329)
-	180,000
(28,979)	(69,329)
-	91,190
\$ (28,979)	\$ 21,861

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Internal Service Funds

### Combining Statement Cash Flows

Year Ended June 30, 2004

(with comparative actual amounts for year ended June 30, 2003)

	Equipment Revolving	Health Care
Cash flows from operating activities		
Receipts from interfund services provided	\$ 583,264	\$ 847,400
Payments to suppliers	(213,211)	(760,307)
Payments to employees	(131,804)	-
Payments for internal services used	(46,149)	-
Net cash provided by (used for) operating activities	192,100	87,093
Cash flows from non-capital financing activities		
Transfers in	-	-
Cash flows from capital and related financing activities		
Purchase of capital assets	(147,105)	-
Proceeds from sale of capital assets	41,666	-
Net cash used for capital and related financing activities	(105,439)	-
Cash flows from investing activities		
Interest income	11,493	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,154	87,093
Cash and cash equivalents at beginning of year	1,054,572	3,935
Cash and cash equivalents at end of year	\$ 1,152,726	\$ 91,028
Reconciliation of operating loss to net cash provided by (used for) operating activities		
Operating loss	\$ (44,234)	\$ (12,979)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation and amortization	254,412	-
(Increase) decrease in		
Accounts receivable	-	220,307
Inventories	(14,295)	-
Prepaid items	-	-
Increase (decrease) in		
Accounts payable	(5,316)	(35,573)
Accrued liabilities	1,533	15,338
Due to other funds	-	(100,000)
Net cash provided by (used for) operating activities	\$ 192,100	\$ 87,093

Totals	
2004	2003
\$ 1,430,664	\$ 1,358,174
(973,518)	(1,404,879)
(131,804)	(130,816)
(46,149)	(27,951)
279,193	(205,472)
-	180,000
(147,105)	(180,054)
41,666	38,120
(105,439)	(141,934)
11,493	17,229
185,247	(150,177)
1,058,507	1,208,684
\$ 1,243,754	\$ 1,058,507
\$ (57,213)	\$ (259,325)
254,412	249,007
220,307	(220,307)
(14,295)	8,554
-	-
(40,889)	(107,307)
16,871	23,906
(100,000)	100,000
\$ 279,193	\$ (205,472)

### **AGENCY FUNDS**

Agency funds are used to account for assets held by the city in a trustee capacity for individuals, private organizations, other governments or other funds.

**County and School Tax Fund** - To account for levy, collection and payment of taxes levied for the general and other funds of the city, county and public school districts.

**Payroll Fund** - To account for employee payroll withholdings and their remittance to the appropriate governmental agencies.

# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Agency Funds

### Combining Statement of Assets and Liabilities

June 30, 2004

ASSETS	County and School Tax	Payroll	Totals	
			2004	2003
Cash and cash equivalents	\$ 21,052	\$ 2,653	\$ 23,705	\$ 45,419
Property taxes receivable	110,979	-	110,979	74,939
<b>TOTAL ASSETS</b>	<b>\$ 132,031</b>	<b>\$ 2,653</b>	<b>\$ 134,684</b>	<b>\$ 120,358</b>
 <b>LIABILITIES</b>				
Accrued liabilities	\$ -	\$ 2,653	\$ 2,653	\$ 10,614
Due to other governmental units	108,104	-	108,104	81,718
Other liabilities	23,927	-	23,927	28,026
<b>TOTAL LIABILITIES</b>	<b>\$ 132,031</b>	<b>\$ 2,653</b>	<b>\$ 134,684</b>	<b>\$ 120,358</b>



# CITY OF EAST GRAND RAPIDS, MICHIGAN

## Agency Funds

### Statement of Changes in Assets and Liabilities

June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b><u>COUNTY AND SCHOOL TAX FUND</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 34,805	\$11,263,357	\$11,277,110	\$ 21,052
Property taxes receivable	74,939	11,710,283	11,674,243	110,979
<b>TOTAL ASSETS</b>	<b>\$ 109,744</b>	<b>\$22,973,640</b>	<b>\$22,951,353</b>	<b>\$ 132,031</b>
<b><u>LIABILITIES</u></b>				
Due to other governmental units	\$ 109,744	\$23,123,228	\$23,100,941	\$ 132,031
<b><u>PAYROLL FUND</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 10,614	\$ 1,593,407	\$ 1,601,368	\$ 2,653
<b><u>LIABILITIES</u></b>				
Accrued liabilities	\$ 10,614	\$ 1,593,407	\$ 1,601,368	\$ 2,653
<b><u>ALL AGENCY FUNDS</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 45,419	\$12,856,764	\$12,878,478	\$ 23,705
Property taxes receivable	74,939	11,710,283	11,674,243	110,979
<b>TOTAL ASSETS</b>	<b>\$ 120,358</b>	<b>\$24,567,047</b>	<b>\$24,552,721</b>	<b>\$ 134,684</b>
<b><u>LIABILITIES</u></b>				
Accrued liabilities	\$ 10,614	\$ 1,593,407	\$ 1,601,368	\$ 2,653
Due to other governmental units	109,744	23,123,228	23,100,941	132,031
<b>TOTAL LIABILITIES</b>	<b>\$ 120,358</b>	<b>\$24,716,635</b>	<b>\$24,702,309</b>	<b>\$ 134,684</b>

**SCHEDULE OF INDEBTEDNESS**

# **CITY OF EAST GRAND RAPIDS, MICHIGAN**

## **Schedule of Indebtedness**

**June 30, 2004 and 2003**

	<b>Date of Issue</b>	<b>Amount of Issue</b>
<b>Governmental Activities Bonds and Loans Payable</b>		
Building Authority Series I Revenue Bonds	2-1-68	\$ 650,000
 Unlimited Tax General Obligation Bonds, Series 2002 (\$14,388 unamortized discount)	 2-1-02	 1,775,000

**Total Governmental Activities Bonds and Loans Payable**

Interest Rate	Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
		2003	2004	
5.00 %	11-1-03	\$ 5,000	\$ -	\$ -
2.40	4-1-04	40,000	-	-
2.85	4-1-05	45,000	45,000	76,672
3.20	4-1-06	50,000	50,000	75,390
3.50	4-1-07	55,000	55,000	73,790
3.70	4-1-08	55,000	55,000	71,865
3.90	4-1-09	60,000	60,000	69,830
4.00	4-1-10	70,000	70,000	67,490
4.10	4-1-11	75,000	75,000	64,690
4.15	4-1-12	80,000	80,000	61,615
4.35	4-1-13	85,000	85,000	58,295
4.45	4-1-14	90,000	90,000	54,598
4.55	4-1-15	100,000	100,000	50,592
4.65	4-1-16	105,000	105,000	46,042
4.90	4-1-17	115,000	115,000	41,160
4.90	4-1-18	125,000	125,000	35,525
4.90	4-1-19	135,000	135,000	29,400
4.90	4-1-20	145,000	145,000	22,785
4.90	4-1-21	155,000	155,000	15,680
4.90	4-1-22	165,000	165,000	8,085
		1,750,000	1,710,000	923,504
		1,755,000	1,710,000	923,504

## June 30, 2004 and 2003

**868,583**

Interest Rate	Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
		2003	2004	
4.40 %	11-1-03	\$ 27,184	\$ -	\$ -
4.50	11-1-04	28,938	-	-
4.60	11-1-05	29,815	-	-
4.70	11-1-06	31,568	-	-
4.80	11-1-07	33,322	-	-
5.00	11-1-08	35,076	-	-
5.00	11-1-09	36,830	-	-
5.00	11-1-10	38,584	-	-
5.00	11-1-11	40,337	-	-
5.00	11-1-12	42,968	-	-
5.00	11-1-13	45,599	-	-
		390,221	-	-
4.70	11-1-03	35,708	-	-
4.80	11-1-04	37,639	37,639	3,745
4.90	11-1-05	39,569	39,569	1,939
5.00	11-1-06	41,499	-	-
5.15	11-1-07	44,394	-	-
5.30	11-1-08	47,290	-	-
5.45	11-1-09	49,220	-	-
5.55	11-1-10	53,080	-	-
5.65	11-1-11	55,975	-	-
5.70	11-1-12	59,836	-	-
5.75	11-1-13	62,731	-	-
5.80	11-1-14	67,556	-	-
5.80	11-1-15	71,417	-	-
		665,914	77,208	5,684

**CITY OF EAST GRAND RAPIDS, MICHIGAN**

**Schedule of Indebtedness - Continued**

**June 30, 2004 and 2003**

	<b>Date of Issue</b>	<b>Amount of Issue</b>
<b>Business-Type Activities Bonds and Loans Payable (continued)</b>		
2003 Silver Creek Drain Refunding Bonds	9-30-03	\$ 981,824

**Total Business-Type Activities Bonds and Loans Payable**

**Total Bonds and Loans Payable**

Interest Rate	Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
		2003	2004	
2.00 %	11-1-04	\$ -	\$ 43,616	\$ 30,161
2.00	11-1-05	-	43,616	29,289
2.25	11-1-06	-	84,448	27,903
2.50	11-1-07	-	87,232	25,862
2.75	11-1-08	-	90,944	23,522
3.00	11-1-09	-	92,800	20,879
3.10	11-1-10	-	96,512	17,991
3.35	11-1-11	-	99,296	14,832
3.60	11-1-12	-	103,008	11,315
3.70	11-1-13	-	107,648	7,469
4.00	11-1-14	-	64,960	4,178
4.25	11-1-15	-	67,744	1,440
		-	981,824	214,841
		1,056,135	1,059,032	220,525
		\$ 2,811,135	\$ 2,769,032	\$ 1,144,029